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SUBJECT: SICHUAN FACES RETURNING MIGRANT WORKER TIDE

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1.(SBU) This cable contains sensitive but unclassified information - not for distribution on the internet.

12. (SBU) Summary: A low reliance on exports and spending on earthquake reconstruction has cushioned the impact of the global economic slowdown on Southwest China's Sichuan Province, academics and officials say. Both groups worried about local unemployment and social instability should a tide of jobless from among the ten million Sichuanese peasants employed outside the province return from the coast to engulf Sichuan Province. Government officials are now confident that Sichuan is successfully assisting a group of returned laid off Sichuan province peasant workers. Scholars have doubts both about official peasant worker unemployment figures and the effectiveness of the official response to rising peasant worker unemployment. End summary.

Sichuan Less Dependent, Quake Reconstruction Helps Too

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13. (SBU) Wang Xiaogang of Sichuan's Economic Development Research Institute said that despite recent increases, exports still account for under 10 percent of Sichuan's GDP, potentially lessening the impact of the global financial crisis. Other scholars said that funds for earthquake reconstruction and national stimulus money provided by the central government are also helping cushion the shock. Still, Sichuan has not escaped unscathed. Chen Jiase of the Chengdu Academy of Social Sciences said that the city's GDP fell 12 percent and government revenue dropped by 20 percent compared with the same period of 2008. An official at Chengdu's largest urban labor market said that overall number of job seekers is higher than normal although fewer jobs are available.

Peasant Migrant Unemployment, Instability Became Top Concerns

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14. (SBU) Sichuan academics have become most concerned not so much the economic downturn itself as with the "returning tide" of migrant peasant workers on social stability. Many Sichuan peasants work in the Yangtze and Pearl River Delta regions on

the coast. In late 2008, Guo Xiaoming of the Sichuan Academy of Social Sciences (SASS), a provincial government think tank, said (ref A) that Sichuan provincial officials did not expect a surge of returning unemployed peasants. A mid-March conversation with Guo, however, reflected much greater official concern about the problem. He said that about four million of Sichuan's ten million peasant workers employed outside the province had returned home for the Spring Festival in January. Another half of Sichuan's estimated 20 million peasant workers out of a total provincial population of 80 million work in Sichuan province itself, either in their home areas or in Sichuan's cities.

15. (SBU) The Sichuan Daily, the official paper of the Sichuan Provincial CPC Committee, on April 18 quoted a late March provincial report stating that all but 760,000 peasant workers who had returned for Spring Festival had not left again to find work outside their home area within Sichuan Province or in another province. Several scholars warn that official unemployment numbers are likely too low since it is very hard to determine whether migrants who went to the coast to find work actually found a job. A Chengdu official from rural Sichuan said that numbers of unemployed at a Chengdu labor market are significantly higher than last year, and earthquake construction is not providing enough jobs to make up for the difference. Staff at Heifer International, which has several poverty alleviation projects throughout rural Sichuan, remarked that many people who had been outside the province for several years without returning are now back.

#### Migrant Peasant Worker Remittances Have Dropped

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16. (SBU) Remittances from peasant migrant workers provide 40 - 45 percent of rural per capita income and up to 70 percent of cash income in rural Sichuan; the drop in peasant migrant worker employment has had a strong negative impact. Some scholars estimate that peasant migrant worker remittances are off by a third this year. While many returning peasants can go back to the land, several worry that some of the peasants who have worked in the city have already transferred the remaining years of their land contract to others. Guo Xiaoming worries that the land leasing experiment in Chengdu's rural counties may backfire if peasants who have pooled their village collectively-owned lands for lease to an agricultural company suddenly lose their jobs but are unable to go back to the land.

#### Worker Retraining, Employment Efforts Falling Short

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17. (SBU) Sichuan Labor and Social Security Bureau (LSSB) officials discussed several provincial policies to help unemployed peasant migrants:

-- Working with eastern provinces to reduce unemployed returnee numbers by providing Sichuan peasant workers with appropriate training. LSSB officials attended a Guangdong job fair in March where representatives of 100 Sichuan training centers sought contracts with Guangdong employers to provide appropriately trained workers.

-- Subsidizing training for Sichuan unemployed peasant and helping the unemployed in their job search. Sichuan provincial and local governments have issued training vouchers to train 300,000 workers since the beginning of 2009. Some scholars argue that these courses, many which last for only a few weeks,

are too short. Furthermore, government subsidies, if available (Chengdu has already spent all its voucher funding) do not cover the entire tuition.

-- Providing loans and other assistance to start a small business are also being considered. Chen Jiaze said separately that government has very limited ability to get credit to small businesses that need it.

#### Quake Reconstruction: No Silver Bullet for Peasant Unemployment

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18. (SBU) Earthquake reconstruction is a major employer of peasant workers. The Mianzhu area alone will need 300,000 construction workers for rebuilding over the next two years. Many of these projects will be awarded through bids and paid for by the coastal provinces that are partnering with Sichuan counties (ref B) hardest hit by the earthquake. Wang Xiaogang of the Sichuan Development Research Institute, however, suspects that much of the work will go to companies from the assistance donating provinces that will perhaps bring in their own workers for some of the construction work. Moreover, some of the construction work demand skills that Sichuan's unemployed peasant workers do not have.

#### Comment: A V-Pattern of Confidence, to Worry, Back to Confidence

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19. (SBU) Sichuan official confidence on the peasant worker unemployment issue followed a V-pattern of initial confidence in late 2008, followed by considerable worry in January 2009 that many unemployed peasant workers might congregate in Sichuan's cities and cause social instability. By March, confidence had returned once most peasant workers who had returned home once again departed to work or seek work in the cities of Sichuan or other provinces.  
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